

## Appendix I – Project Overview

Because “health care” is a term applicable to many goods and services, the Comptroller’s review team formulated a definition to serve as a guide for the activities to be included in the health care study. To ensure inclusion of all relevant health care data, the Comptroller’s definition of health care closely follows that used by the U.S. Department of Health and Human Services to produce official estimates of total health care spending in the U.S.<sup>1</sup>

For the purposes of this report, Texas health care costs include expenditures for health care goods and services, public health activities, program administration, research and other investments related to health care. Below is a detailed list of goods and services included in the health care definition.

### SERVICES AND PRODUCTS

- **Hospital Care**

Expenditures for services hospitals provide, including room and board, fees, ancillary services, services provided by resident physicians, inpatient pharmaceuticals, hospital-based nursing home care and hospital-provided home health services.

- **Physician, Health Professional, Clinical and Dental**

Expenditures for services delivered in health professional establishments.

- **Other Personal Health Care**

Expenditures for medical care not delivered in traditional medical sites, including community centers, senior citizen centers, schools and Home and Community Waiver programs under Medicaid.

- **Home Health Care**

Expenditures for medical care services delivered by home health agencies (HHAs), private establishments that provide skilled nursing services in the home. HHAs also provide personal care services, companion services, hospice care, physical therapy, occupational therapy and other services.

- **Nursing Home Care**

Expenditures for services provided by nursing homes. These include private establishments providing inpatient nursing and rehabilitative services; retirement communities with on-site nursing care; and intermediate care facilities for those with mental retardation paid through Medicaid.

- **Prescription Drugs**

Expenditures for prescriptions filled in pharmacies, grocery stores, department stores and mail-order establishments.

- **Durable Medical Products**

Expenditures for products including contact lenses, eyeglasses, hearing aids and surgical and orthopedic products, as well as medical equipment rentals and oxygen. Durable products usually have a useful life of more than three years.

- **Non-Durable Medical Products**

Expenditures for products including non-prescription drugs and medical “sundries,” items such as medical instruments, surgical dressings, needles and thermometers. Non-durable products usually have a useful life of less than three years.

**GOVERNMENT PUBLIC HEALTH ACTIVITY**

- **Public Health Related Services**

State expenditures for organizing and delivering health services including disease prevention programs, epidemiological surveillance, immunization and vaccination services and public health laboratories.

- **State Hospital Subsidy**

State expenditures subsidizing the operation of hospitals and home health care.

- **Other State Government Programs**

All other health care expenditures for programs established by public law.

- **Structures (Capital)**

Expenditures for new construction in the medical sector, not including retail establishments that sell medical goods. Maintenance and repairs also are excluded.

- **Medical Equipment (Capital)**

Expenditures for new capital equipment, other than those made by retail establishments that sell medical goods.

- **Research**

State research expenditures include non-federal spending on health-related research by academic institutions and non-academic nonprofit organizations.

**STUDY PARTNERS**

To ensure that this analysis considered all goods, services and activities, program administration, research and other expenses related to health care, the review team requested data from 16 state agencies as well as several public and private higher education institutions that receive state assistance for health care purposes. Each was asked to provide expenditure data for fiscal 2005 through 2009 by method of finance (state appropriations, federal funds or other source). These agencies included:

**General Government Agencies**

- Employees Retirement System of Texas
- State Office of Risk Management

**Health & Human Service Agencies**

- Texas Health and Human Services Commission
- Texas Department of Aging and Disability Services
- Texas Department of State Health Services
- Texas Department of Assistive and Rehabilitative Services
- Texas Department of Family Protective Services

**Education Agencies**

- Teacher Retirement System
- Texas Education Agency
- Texas School for the Deaf
- Texas School for the Blind and Visually Impaired
- University of Texas System
- Texas A&M University System
- institutions of higher education that fund health care services
- institutions of higher education that fund health-related research

**Public Safety and Criminal Justice Agencies**

- Texas Department of Criminal Justice
- Texas Youth Commission
- Texas Juvenile Probation Commission

**Business and Economic Development Agencies**

- Texas Department of Transportation
- Texas Department of Rural Affairs

In addition to these agencies and institutions, the Comptroller's review team worked with other experts, stakeholders and policymakers to ensure accuracy and relevance. These included the Texas Hospital Association, Texas Medical Association, Texas Medical Board, Texas Department of Insurance, BlueCross BlueShield of Texas, Superior Health Plan, UnitedHealth Group, the Office of the Governor, the Lieutenant Governor's Office, House Speaker's Office, Texas Legislative Council and Legislative Budget Board.

### **COST DRIVERS AND REGIONAL ANALYSIS**

The report provides analysis on factors driving costs in the state's five largest health-related agencies:

- the Texas Health and Human Services Commission (HHSC)
- the Texas Department of Aging and Disability Services (DADS)
- the Texas Department of State Health Services (DSHS)
- the Employee Retirement System of Texas (ERS)
- the Texas Department of Criminal Justice (TDCJ)

For detailed information on factors driving costs in these agencies as well as the state in general please refer to the Cost Drivers section of the report.

The report also looks at health care cost data at the regional level for HealthSelect, Medicaid and BlueCross BlueShield of Texas to identify geographical variations. The regional analysis provides detailed costs for select groups. The costs are separated by service setting, such as inpatient and outpatient, and by health professional, including doctors, nurses and allied health professionals. The tables also provide costs by region for pharmaceuticals. For detailed information on the differences in costs for HealthSelect, Medicaid and BlueCross BlueShield of Texas by region, please refer to Appendix III.

## Endnotes

- <sup>1</sup> U.S. Department of Health and Human Services, National Health Expenditures Accounts: Definitions, Sources, and Methods, 2008 (Washington, D.C., 2008), pp. 6-13, <http://scribesstat.com/wp-content/uploads/2010/12/National-Health-Expenditures-SOURCE.pdf> <<http://scribesstat.com/wp-content/uploads/2010/12/National-Health-Expenditures-SOURCE.pdf>>. (Last visited February 25, 2011.)

